

Returning to Covered Employment

Summary

This notice is provided on behalf of the Arkansas Public Employees' Retirement System (the "System") to non-contributory members who terminated covered service on or after July 1, 2005 for a period of less than six (6) months and subsequently returned to covered employment. This notice provides information about their option to choose the plan in which they participate.

Plan Choice

The System is comprised of members who participate under non-contributory provisions and members who participate under contributory provisions. Employees who were first hired on or after January 1, 1978 through June 30, 2005 participate under the non-contributory provisions. Employees who are first hired on or after July 1, 2005 are subject to the contributory provisions of the System.

Non-contributory members who terminate service for a period of less than six (6) months and later return to covered employment are not subject to the contributory provisions and can remain non-contributory. However, they have the option to become contributory at the hire date. The System requires these members to choose in which plan to participate.

To make an informed choice, members should understand the provisions of both the non-contributory and contributory plans. The plans have several areas of similarities and differences.

Plan Similarities

Vesting

Whether members participate in the non-contributory plan or the contributory plan, generally, they are vested for (or entitled to) retirement benefits when they have five (5) years of service.

Retirement Eligibility

Whether members participate in the non-contributory plan or the contributory plan, they are eligible for normal retirement at age 65 with at least 5 years of service or at any age with 28 years of service. They are eligible for reduced retirement at age 55 with at least 5 years of service or at any age with 25 years of service.

Retirement Benefits

When members retire, they receive an annuity (series of payments) that the System pays to them each month for their lifetime. Whether they participate in the non-contributory plan or the contributory plan, their annuity is based on a percentage

of their final average compensation times their total credited service. The System refers to the percentage as the multiplier.

Retirement Annuity Options

When members retire, they can elect to receive a Straight Life annuity or they can elect to receive a reduced annuity and designate a beneficiary under Option A60, Option A120, Option B50 or Option B75. Whether members participate in the non-contributory plan or the contributory plan, these annuity options are the same.

Plan Differences

Employee Contributions

Only members who participate in the contributory plan contribute a portion of their compensation to the System. Their payroll officers deduct 5% of their pre-tax compensation on every payroll from their date of hire through their date of termination.

When deducted, members' contributions are credited to their individual deposit accounts where they accumulate and earn interest at a rate of four percent (4%) per year. They remain in the accounts until members receive either a termination of employment refund or a retirement annuity.

Multiplier

The multiplier is different for each plan. The current multiplier for the contributory plan is 2.0%. In comparison, the current multiplier for the noncontributory plan is 1.72%.

Temporary Annuity

Only members who participate in the non-contributory plan receive a temporary annuity until they attain age 62. The multiplier for the temporary annuity is .33%.

Retirement Benefit Considerations

From a financial perspective, members should compare the contributions they make to the System under the contributory plan to the benefits they would receive at retirement.

For example, a member works 5 years and had a \$20,000 Final Average Salary (FAS):

- Under the non-contributory plan, the base annual benefit at normal retirement would be approximately \$1,720.
- Under the contributory plan, the base annual benefit at normal retirement would be approximately \$2,000. The member would have contributed approximately \$5,000 ($\$20,000 \times 5\% \times 5 \text{ years}$) to the System.



General Considerations

When deciding in which plan to participate, members should consider the following aspects:

- How does becoming contributory affect their current tax liability?
- How long do they plan to continue working prior to retiring? As a general rule, if members are within a few years of retirement, it may not be in their best financial interest to become a contributory member.
- In the short term, can they afford to have 5% withheld from their paycheck?
- In the long term, would they be in a better financial position in retirement being contributory?
- What other financial resources will they have when they retire?
- What will be their financial obligations when they retire?
- Will the contributions that they make to the System compare to the increase in benefits that they will receive?

Employee Contribution Refunds

Sometimes employers deduct contributions before employees choose in which plan to participate. When members choose the non-contributory plan, the System must refund any employee contributions that the employer withheld since their hire date.

The System can process refunds after we receive and post members' final contributions to their individual deposit accounts. Contributions post to accounts at the end of a month for the previous month in which employers withheld contributions.

For example, if members received their last paycheck in June, their contributions will post to their account at the end of July. At the beginning of August, we can then process their refund. Based on this time frame, it may take up to ninety (90) days from when we receive refund requests for us to process payments.

Because the employee contributions were deducted on a pre-tax basis, the contributions are taxable to members when we issue their refund. Therefore, members should carefully read the information included in the *Special Tax Notice Regarding Plan Payments* publication.

Completing the Request Form

To elect in which plan to participate and to request a refund of the employee contributions that have been withheld, members must complete the *Return to Covered Employment Election* form and submit it to our office. The form must be completed by employees, a notary public, and employer representatives.

The following information explains how to complete sections I through V of the *Return to Covered Employment* form.

I. Employee Information

Employees must provide their personal data and contact information. The personal data includes their Social Security Number (SSN), name and date of birth. The contact information includes their mailing address, email address and daytime phone number.

II. Employee Election

Employees must elect in which plan to participate and the distribution method for their refund payment (if applicable). If members elect a direct rollover, they should contact us for a rollover request form.

III. Employer Verification

Employer representatives must complete this section to provide the employer information and employees' contribution and employment information. The employer information includes the five-digit employer number and the employer name. The contribution and employment information includes the date of hire, whether contributions were withheld, and the date final contributions were deducted.

IV. Election Certifications

Employees and employer representatives must sign this section to acknowledge that they received this publication and to certify that the elections and employment information provided on the form is correct.

V. Notary Acknowledgement

A notary public must complete this section to acknowledge employees' identity. Notaries must sign and affix their seal or stamp.

Obtaining Additional Information

For questions about returning to covered employment or refunds, please contact a call center representative toll free at 800-682-7377.



Return to Covered Employment Election

124 West Capitol Avenue Suite 400 • Little Rock AR 72201-3700
Phone: (800)682-7377 • Fax: (501)682-7843 • Website: www.apers.org

I. Employee Information			
Social Security Number		Name (Last, First, Middle Initial)	
Mailing Address		City, State, Zip Code	
Date of Birth (mm/dd/yyyy)	Email Address		Daytime Telephone Number

II. Employee Election	
Plan Election <input type="checkbox"/> Contributory <input type="checkbox"/> Non-Contributory	Refund Payment Election (if applicable) <input type="checkbox"/> Paid to Me <input type="checkbox"/> Paid in a Direct Rollover

III. Employer Verification		
Employer Number	Employer Name	
Date of Hire (mm/dd/yyyy)	Were Employee Contributions Deducted? <input type="checkbox"/> Yes <input type="checkbox"/> No	Date Final Contributions Deducted (mm/dd/yyyy)

IV. Election Certifications	
<ul style="list-style-type: none">▪ I acknowledge that I read the <i>Returning to Covered Employment</i> publication which explains the plan options for non-contributory members who terminate and return to covered employment within six (6) months.▪ I certify that the election and employment information provided above is true and complete.	
Employee Signature	Date
Employer Representative Signature	Date

V. Notary Public Acknowledgement (Required Only for Refunds)			
State	County	Date Appeared	Affix seal or stamp here
Certificate of Acknowledgement Before me, the undersigned notary, personally appeared the above-named employee satisfactorily proven to be the person whose name is subscribed to the within instrument and acknowledged that he or she executed the same for the purposes therein contained.			
Notary Public Signature		Date Commission Expires	